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SIPDIS

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NEA FOR FRONT OFFICE; NEA/IPA FOR WILLIAMS/GREENE/WAECHTER;
EB/CIP FOR GROSS/BOEHME/GIBBS

E.O. 12958: N/A

TAGS: ECPS TINT TSPL PGOV KWBG

SUBJECT: "FIL MISH-MISH": PA ISSUES TENDER FOR MOBILE
OPERATOR IN PALESTINIAN TELECOM MARKET

REF: 2005 JERUSALEM 4508

¶1. (SBU) Palestinian Authority (PA) Telecom Ministry issued a tender March 28 for eligible strategic partners to bid on a 30 percent share of a second mobile telecom operator in the West Bank and Gaza. This operator would be granted a new license to establish and operate a GSM telecom network and a third generation (3G) network, as well as provide 3G services and international services as of November 16, 2006.

Interested entities must purchase the request for application (RFA) from the Telecom Ministry for JD 2,000 (USD 2,821) and submit bids and accompanying documentation by June 26.

(Note: A copy of the RFA was emailed to NEA/IPA and EB/CIP. End Note.) In addition, the interested parties are required to pay an application fee of JD 20,000 (USD 28,210) for the fees of the Advisory Firm tasked with processing and selecting the winner of the bid to be announced July 6.

¶2. (SBU) According to the RFA, in order to be eligible to submit an application, an applicant must:

-- have had substantial experience in the operation of a mobile telecommunications network and in the provision of mobile telecommunications services for at least three years, having at least 300,000 subscribers as of December 31, 2005;

-- have developed such experience as a new entrant competing with an incumbent mobile operator;

-- have had such experience by direct involvement either as the operator itself or through a comprehensive management contract giving the applicant substantially full control of the operation of the network, provision of services and overall running of the business;

-- neither be a significant shareholder in a mobile telecommunications company in the West Bank/Gaza, directly or indirectly, nor have a significant share of its own share capital be held, directly or indirectly, by a mobile telecommunications company in the West Bank/Gaza or any of its controlling shareholders (for the purpose of its RFA, a significant share means 10 percent and controlling means shareholding over 50 percent);

-- be organized under the laws of a country in which Palestinian companies are permitted to apply for licenses to operate telecommunications networks and provide telecommunications services; and

-- have had annual gross revenues of at least JD 150 million (USD 212 million) over each of its last three financial years.

¶3. (SBU) PA Telecom Ministry Advisor Masshour Abudaka told EconOff March 28 that the PA is looking for a strategic partner with strong Israeli relationships in order to persuade the GOI to grant additional mobile frequencies. He said the new mobile operator would ideally be able to operate in both Israel and the West Bank in order to compete with other mobile operators in the region. He added that the Palestine Investment Fund (PIF) would also own a 30 percent stake in the pro forma ownership structure, while Palestinian telecom partners would own 10 percent, and public shareholders the remaining 30 percent.

¶4. (SBU) Comment: The outgoing PA Minister of Telecom Sabri Saidam has been working on liberalizing the market for the duration of his tenure in office and succeeded in issuing this tender only two days before he left office. However, as an Arabic saying aptly expresses, it will likely happen "fil mish-mish" or in the time of apricots, meaning not at all. The combination of the incoming Hamas government and the fact that the GOI has yet to assign additional mobile frequencies to the PA suggests that this initiative will fall by the way-side. End Comment.

WALLES